

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

P.O. Box 690, Jefferson City, Mo. 65102-0690

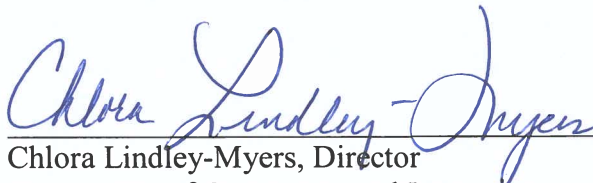
ORDER

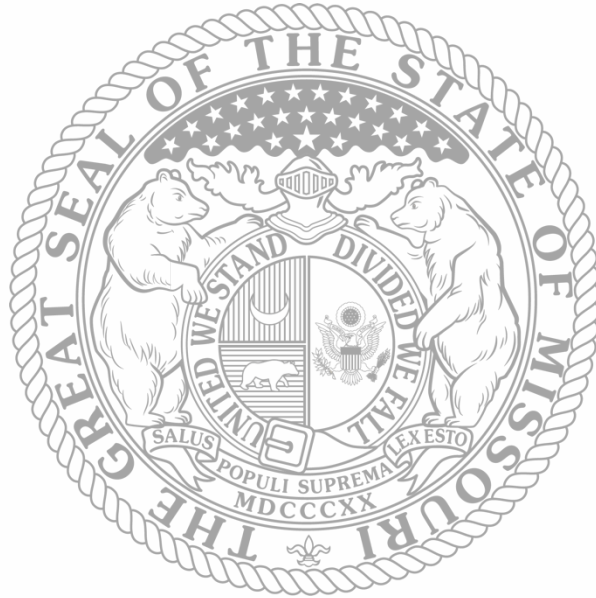
After full consideration and review of the report of the financial examination of Missouri Property Insurance Placement Facility for the period ended December 31, 2021, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Commerce and Insurance pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant finding, company history, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, accounts and records, financial statements, comments on financial statement items, financial statement changes resulting from examination, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Missouri Property Insurance Placement Facility as of December 31, 2021, be and is hereby ADOPTED as filed and for Missouri Property Insurance Placement Facility to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 01st day of May, 2023.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

MISSOURI PROPERTY INSURANCE PLACEMENT FACILITY

AS OF
DECEMBER 31, 2021

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Saint Louis, MO
March 24, 2023

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your financial examination warrant, a full-scope financial examination has been made of the records, affairs, and financial condition of

Missouri Property Insurance Placement Facility (NAIC #15248)

hereinafter referred to as such, as FAIR Plan, or as the Company. Its administrative office is located at 11116 South Towne Square, #303, Saint Louis, MO 63123, telephone number 314.421.0170. The fieldwork for this examination began on November 3, 2022, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a single-state financial examination of FAIR Plan. The last examination of the Company by the Department covered the period of January 1, 2012, through December 31, 2016. The current examination covers the period of January 2, 2017, through December 31, 2021, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

Procedures

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook (Handbook)*, except where practices, procedures, and applicable regulations of the Department or statutes of the state of Missouri prevailed. The *Handbook* requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis. Because of FAIR Plan's unique operations, certain exam procedures were modified: significant Annual Statement line items were tested for accuracy and completeness; compliance with applicable statutes was verified; less emphasis was placed on testing controls.

This examination also included a review of significant estimates made by management and evaluation of management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to FAIR Plan included Investments, Premiums, Losses, Pension/Post-Retirement Benefits and Fund Balances. The examination also included a review and evaluation of information technology general controls.

This examination report includes significant findings of fact, as mentioned in Section 374.205 RSMo (Examination, director may conduct, when...) and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but are separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues or material changes to the financial statements noted during the examination.

COMPANY HISTORY

General

The Missouri Property Insurance Placement Facility was created in response to the Federal Urban Property Protection Act of 1968. In May 1969, the Fair Access to Insurance Requirements (FAIR) Plan was formed. FAIR Plan operated on a voluntary basis with approximately 250 insurance companies participating.

In October 1969, the 75th Session of the Missouri General Assembly established the Missouri Basic Property Insurance Inspection and Placement Program under which FAIR Plan offers basic property insurance to persons who are unable to obtain such coverage through ordinary methods. A joint reinsurance association was set up under Section 379.835 RSMo (Joint reinsurance association) to provide for the equitable distribution and placement of risks insured by FAIR Plan among the property insurers providing habitational or commercial coverage in Missouri.

Over the course of its existence, FAIR Plan has expanded coverage and increased coverage limits multiple times. In 2014, FAIR Plan was authorized to begin offering sinkhole coverage effective January 1, 2015.

Mergers, Acquisitions, and Major Corporate Events

There were no mergers or acquisitions during the current examination period. In 2021, FAIR Plan began contracting with Kentucky FAIR Plan to adjust and settle claims.

Dividends and Capital Contributions

The Company does not pay dividends. The following member assessments were levied to Missouri licensed property insurers during the current examination period.

Year	Amount
2017	\$ 786,245
2018	500,000
2019	256,364
2020	475,000
2021	0
Total	\$ 2,017,609

Surplus Notes

There were no surplus notes issued or outstanding during the current examination period.

MANAGEMENT AND CONTROL

Governing Committee

Management of the Company is vested in a Governing Committee consisting of thirteen members in accordance with Section 379.860 RSMo (Administration of program — governing committee...).

The Director of the Missouri Department of Commerce and Insurance appoints three of the members of the Governing Committee consisting of one Missouri insurer and two licensed agents.

The remaining ten members are elected as prescribed in the Company's Plan of Operation which stipulates the following composition of the Governing Committee.

- National Association of Mutual Insurance Companies 2 members
 - American Property Casualty Insurance Association 4 members
 - Missouri Insurance Coalition 2 members
 - Missouri Basic Property Insurers * 2 members
- *may or may not be a member of an aforementioned trade association

The Governing Committee members elected or appointed and serving as of December 31, 2021, were as follows:

<u>Name</u>	<u>Affiliation</u>
Liberty Mutual Insurance Company	National Association of Mutual Insurance Companies
Farmers Insurance Group	National Association of Mutual Insurance Companies
Travelers Insurance	American Property Casualty Insurance Association
AIG Property Casualty Insurance	American Property Casualty Insurance Association
American Family Mutual Insurance Company	American Property Casualty Insurance Association
Shelter Insurance Company	American Property Casualty Insurance Association
Missouri Farm Bureau	Missouri Insurance Coalition
State Farm Insurance Companies	Missouri Insurance Coalition
Allied Property and Casualty Insurance	Basic Property Insurer
Cincinnati Insurance Company	Basic Property Insurer
Cameron Mutual Insurance Company	Missouri Insurer
Susan Clift	Licensed Agent
Brent Wyatt	Licensed Agent

Senior Officers

Section 379.860 RSMo (Administration of program — governing committee...) authorizes the Governing Committee to appoint a manager. The manager appointed and serving, as of December 31, 2021, was as follows:

<u>Name</u>	<u>Office</u>
Kirk W. Schmidt	General Manager and Controller

Principal Committees

Section 379.870 RSMo (Duties of the committee) requires the Governing Committee to establish an Underwriting Committee and authorizes the Governing Committee to appoint such other committees as it deems advisable. At year-end 2021, FAIR Plan had the following committees.

Underwriting Committee

Liberty Mutual Insurance Company
American Family Mutual Insurance Company
Shelter Insurance Companies

Claims Committee

American Family Insurance Company
Cameron Mutual Insurance Company
Allied Property and Casualty Insurance

Executive Committee

Missouri Farm Bureau
Allied Property and Casualty Insurance

Corporate Records

The Company's Plan of Operations was reviewed. In 2018, FAIR Plan amended its Plan of Operation to allow debit cards, credit cards and direct transfers as forms of payment, and notice of cancellation was extended from 10 days to 30 days. In 2020, FAIR Plan amended its Plan of Operation to change the composition of the number of members required within the categories of the Governing Committee. The minutes of the Annual Meetings and the Governing Committee meetings were reviewed for the period under examination.

Holding Company, Subsidiaries, and Affiliates

FAIR Plan is not a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions).

TERRITORY AND PLAN OF OPERATION

The Missouri Property Insurance Placement Facility operates solely in Missouri, under authority granted it through Section 379.810 RSMo (Program established). The Company is not licensed as an insurer nor does it hold a certificate of authority. FAIR Plan provides basic property insurance coverage on habitational and commercial risks with coverage limits of two hundred thousand dollars (\$200,000) and one million dollars (\$1,000,000) respectively. Premiums are based on Insurance Service Office rates and are approved by the Department.

In 2015, FAIR Plan began offering sinkhole loss coverage as a supplement to an insured's primary coverage. This coverage is only available on habitational risks and is limited to two hundred thousand dollars (\$200,000).

GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the Company's premium writings and surplus levels. The Company typically operates at a deficit surplus position and assesses member companies when funds are required to pay claims and expenses.

(\$000s omitted)

Year	Net Premiums Written	Change in Net Premiums	Capital and Surplus
2017	\$ 1,742	\$ (268)	\$ (1,055)
2018	1,703	(40)	(918)
2019	1,659	(44)	(977)
2020	1,588	(71)	(842)
2021	1,658	70	(767)

The table below summarizes the Company's incurred losses and loss ratios for the period under examination.

(\$000s omitted)

Year	Net Premiums Earned	Net Losses and Loss Adjustment Expenses	Loss Ratio
2017	\$ 1,892	\$ 1,170	62%
2018	1,710	1,004	59%
2019	1,682	952	57%
2020	1,642	1,047	64%
2021	1,612	647	40%

REINSURANCE

General

Section 379.835 RSMo (Joint reinsurance association) created a joint reinsurance association consisting of all Missouri property insurers. The joint reinsurance association assumes from FAIR Plan one hundred percent (100%) reinsurance on behalf of the insurers. The liability is distributed proportionally based on an insurer's written habitational or commercial premium as a percentage of all written habitational or commercial premium. Per Department directive, FAIR Plan reports its results in its Annual Statement as if it retained all business.

ACCOUNTS AND RECORDS

Independent Auditor

The certified public accounting (CPA) firm, Conner Ash P.C., in Saint Louis, Missouri, performed the statutory audit of the Company for the years 2017 through 2021. Reliance was placed upon the CPA workpapers as deemed appropriate. Such reliance included, but was not limited to, walk-throughs, control testing and tests of account balances.

Information Systems

In conjunction with this examination, Kimberly Dobbs, MBA, CFE, AES, CISA, Information Systems Financial Examiner-in-Charge with the Department, conducted a review of the Company's information systems.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of Missouri Property Insurance Placement Facility for the period ending December 31, 2021. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements and should be considered an integral part of the financial statements. The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statement Items." These differences were determined to be immaterial concerning their effect on the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual key activity.

ASSETS

As of December 31, 2021

	Assets	Nonadmitted Assets	Net Admitted Assets
Cash and Short-Term Investments	\$ 1,504,507	\$ 0	\$ 1,504,507
Premiums and Considerations: Uncollected Premiums and Agents' Balances in the Course of Collection	104,883	0	104,883
TOTAL ASSETS	\$ 1,609,390	\$ 0	\$ 1,609,390

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2021

Losses	\$ 474,887
Loss Adjustment Expenses	103,158
Commissions Payable, Contingent Commissions, and Other Similar Charges	27,236
Taxes, Licenses, and Fees	1,551
Unearned Premiums	828,579
Other Liabilities	941,225
TOTAL LIABILITIES	\$ 2,376,636
Fund Balances (Deficit):	
Habitational Plan	(738,747)
Commercial Plan	(28,499)
TOTAL CAPITAL AND SURPLUS	\$ (767,246)
TOTAL LIABILITIES AND SURPLUS	\$ 1,609,390

STATEMENT OF INCOME
For the Year Ended December 31, 2021

Premiums Earned	\$ 1,611,690
DEDUCTIONS:	
Losses Incurred	437,006
Loss Adjustment Expenses Incurred	209,794
Other Underwriting Expenses Incurred	889,208
Total Underwriting Deductions	<u>1,536,008</u>
Net Underwriting Gain (Loss)	\$ 75,682
Net Investment Income Earned	2,029
Net Investment Gain (Loss)	\$ 2,029
Fee Income	13,244
Other Income	<u>154,163</u>
NET INCOME (LOSS)	<u>\$ 245,118</u>

RECONCILIATION OF CAPITAL AND SURPLUS
Changes from January 1, 2017 to December 31, 2021

(\$000s omitted)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Capital and Surplus, Beginning of Year	\$ (1,710)	\$ (1,055)	\$ (918)	\$ (977)	\$ (842)
Net Income (Loss)	(489)	(337)	(255)	(232)	245
Change in Pension Plan Asset/Liability	536	(109)	(43)	(34)	193
Change in Nonadmitted Assets	(178)	82	(16)	(74)	(364)
Assessments	786	500	256	475	0
Net Change in Capital and Surplus	<u>655</u>	<u>136</u>	<u>(58)</u>	<u>135</u>	<u>74</u>
Capital and Surplus, End of Year	<u>\$ (1,055)</u>	<u>\$ (918)</u>	<u>\$ (977)</u>	<u>\$ (842)</u>	<u>\$ (767)</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

The COVID-19 pandemic has continued to develop, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

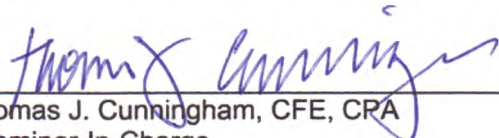
ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Missouri Property Insurance Placement Facility during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Justin Lamb, examiner for the Missouri Department of Commerce and Insurance, also participated in this examination.

VERIFICATION

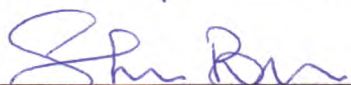
State of Missouri)
) ss
County of Saint Louis)

I, Thomas J. Cunningham, CFE, CPA, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records, or other documents of Missouri Property Insurance Placement Facility, its agents or other persons examined, or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs, and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

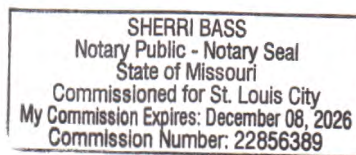


Thomas J. Cunningham, CFE, CPA
Examiner-In-Charge
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 12 day of April, 2023.

My commission expires: 12-8-2026 

Notary Public



SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the *Financial Condition Examiners Handbook* has been confirmed, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.



Michael R. Shadowens, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance